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Vol. I. *February, 1933.* *No. 2.*

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Our Progress.

We are glad to note that our first issue has been favourably received both by the public and the Press. More than one has remarked that a journal of this kind is a longfelt want and is absolutely necessary for the advancement of the commercial interests of India. We are greatly obliged to the Editors of the several newspapers in the country for their valuable and encouraging reviews. We take this opportunity of expressing our very sincere and best thanks for those who have been kind enough to send us congratulatory messages and for those who have readily extended their kind and esteemed support by registering themselves as subscribers to the journal.

The present Indian Money Market.

The year 1933 has indeed become an important year in the annals of the history of the Indian Money Market in ways more than one. The surplus funds of the various Bankers in the country which naturally find an outlet in the money market have grown to such large proportions that almost all bankers of rupute have been faced with the difficulty of finding a suitable avenue for the investment of their loanable capital. The fact that they were suffering from a plethora of funds was not a secret to the shrewd students of finance and financiers even from as early as September or October 1932; but it was openly given expression to by the bankers themselves, only a few days before the New Year Day. The English Exchange Banks in Madras as a collective body, aiming at economy in advertisement bill, took the lead and announced their intention of reducing the rate of interest allowed by them on current deposits. Then the Indian Joint Stock Banks followed suit and reduced the rates of interest on Current, Deposit and Savings Bank deposits, and thus made the man in the street know that loanable capital in the country is large and as such money is cheap now as is rice.

Let us now examine for a moment the causes that led to this state of affairs. The fact that the huge £2000 million 3½% Conversion Scheme inaugurated by the British Chancellor of Exchequer last year has met with an unexpected success, even beyond the hopes

entertained by the author of the scheme, had an immediate effect on the London Money Market, by reducing the ruling rate of interest and raising the market value of Government Securities. The Indian Government Securities, in the London Market, which are as good as the British, because of their being guaranteed by the Secretary of State for India, also rose in their market value in parity with the British Securities and this had the most striking effect in the value of the Government of India Rupee Securities in the Indian Money Market. Based on a 4% return the Government of India Papers experienced rapidly rising prices and the 3½% Paper which was quoted in the neighbourhood of Rs. 50 in June 1932, is now near Rs. 82. In fact, the Government Securities Market in India had a very brisk and active trade and it is still continuing as briskly as before, many speculators taking full advantage of the high prices by unloading their holdings. The Government of India taking stock of the easy monetary situation of the country, issued in August last, a 5 % loan and it was a phenomenal success and the subscription list was closed in a few hours, after its opening. After this, the rate of interest on Government Treasury Bills, which are the best means of investment of surplus funds of our Bankers in the country on short term loans, was reduced and maintained near at 3 per cent—now only 2 %— and thus the Treasury Bills lost the attraction of our Bankers. Last month the Government of India, issued a 4 % loan repayable in 1943 and our readers themselves would have imagined what a splendid success it has proved to be when it has been announced that all the cash applicants for this loan had to be severely disappointed, because even the needs of the applicants tendering treasury bills instead of cash, easily reached the offered maximum of Rs. 15 crores. Encouraged by this striking success, they are arranging for a conversion loan at 4 % repayable in 1960-70 and have notified their intention of repaying the holders of the 6 % bonds of 1933-36 and the 5 % War Loan 1929-47 in cash in the current year by giving the required 3 months' notice and in this connection we invite the attention of our readers to the notification of the Government of India Finance Department republished on pages 46 to 48 of this issue. The Bankers having lost the attraction in Treasury Bills because of the low interest yield, had to depend upon the Indian Business Community for the investment of the surplus but such of them as could easily secure the approval of the bankers as safe to deal with, have no need for additional working capital on account of the world-wide trade depression and the low prices of commodities. Added to this the export of gold to the extent of more than Rs. 100 crores from the country, putting into circulation a similar sum in silver and notes and thus increasing the quantity in the circulating medium of the country, naturally entered into the vaults of our Indian Bankers who offer interest, even on the small sums on Savings Bank Deposits and thus added fuel to the fire. In such circumstances it is no wonder that the Government of India have succeeded in the January loan and are sure to succeed in their conversion operations also.

To a foreigner, who has no knowledge of the true state of affairs in the *real* Indian Money Market—by the term real, we mean the conditions prevailing

in monetary transactions among the masses—the present Indian Money Market will present a completely different picture creating altogether a very different impression in his mind, viz., that money is cheap, that opportunities for the advancement of the Commercial and Industrial activities of the country are many and that every thing is well generally. Is this true? Unfortunately not. Whatever may be the Imperial Bank of India rate, the ruling rate of interest among the masses has not yet come below the glorious 12 to 18 per cent, and even at these rates, people in a position to offer good securities are not able to obtain the money they need and the cry among the middle class that money is dear is as loud as ever. What is this due to?

One of the main reasons for the existence of this state of affairs is the unsatisfactory state of the Banking Practice followed by our Indian Bankers. Though they are Indian Joint Stock Banks, with Indian Capital, coupled with, in most cases, Indian Management, so far as their rules of business are concerned, they are in no way better than the English Joint Stock and Exchange Banks. It is a pity they have more or less wedded themselves to the English Banking Practice, a system specially framed to suit the special needs of a highly advanced commercial and industrial country as England, rightly nick-named as "a nation of shop keepers". How could that system be totally applicable to the needs of India has not been thought of. India is mainly an agricultural country with but a small industrial activity just sprouting its head. The Indian Manufacturers have no world-wide market for their wares and even in the home (Indian) market they have to experience a good deal of competition from the Western Manufacturers who have had a strong hold hitherto. The majority of our mercantile public are not producers but are merely wholesalers and petty dealers in the finished products of Indian and Foreign origin. In our opinion it is to suit this main difference in the position of our merchant-population, that our banking system has to be modified, and then only our bankers will be doing the right service both to the Indian Business Community and thereby the country and to themselves.

In England manufacturers book orders from their customers abroad with a 25% advance, and in most cases, with a London Banker's confirmed credit for the balance of the purchase price, and then begin to produce the required goods by obtaining loans from their bankers repayable in three or six months and in this case they are sure of being paid by their purchasers through a London Banker under the confirmed credit arrangement, immediately the goods are placed on board the steamer bound for the purchaser's destination. So, bankers have no difficulty in finding short term borrowers and as most of the borrowers are manufacturers, their system of banking practice is quite alright. But in our country our merchants are merely distributors requiring generally long term credit with a small exception of very few wholesale importers who have large resources of their own and as such are able to manage, some how or other, to pay their bank dues in short term borrowings, whether they themselves get paid or not. Such people who can strictly adhere to the requirements of our bankers are not

many, and as things are at present, none but them are able to enjoy the banking and the present easy money market facilities in India to-day. What about the other class of merchants, mostly single traders who are distributors and are not gifted with a large amount of capital by nature? They are unfortunately left to themselves. Our banking system as it is to-day is not in any way helpful to this class and if at all these classes make use of bankers, it is only in connection with these bankers acting as middle-men, instead of the post office, for the collection of the price of goods against railway receipts and bills of lading.

Is it not high time that our bankers make a radical change in their banking practice and be of real use to the merchants of the middle class and others who can offer good securities? We would suggest that our Indian Bankers should, instead of relying upon the wholesalers alone, as they have been doing hitherto, must in addition, focus their attention and energies to exploring fresh lines of investment of their funds in the hitherto untrodden and severely neglected field of single traders. By this it is not to be assumed that now-a-days no single trader has banking facilities. We know there are some but they are not the ordinary business men whom we speak of; they are business magnates, occasionally with seats in the Directorates of our Indian Joint Stock Banks, and as such come under a different category. At any rate, nobody will disagree when we say that the borrowing facilities from our Indian Joint Stock Banks for a single trader or a middle class respectable citizen and others are utterly quite inadequate and unsatistactory and they are at their lowest ebb. The practice of requiring the signature of another to guarantee the loan to be obtained by a borrower, irrespective of his standing in the market, commonly known as the 'joint signature system' is causing no small obstruction to the natural flow of banking facilities to the middle class. Though our bankers say that they have to resort to this procedure simply to guard themselves against risk, we have to only answer in reply that they merely magnify the risk ten-fold and without any proportion to the reality. Further, we would ask them to state what kind of profession is free from risk? Why should they alone try to be ***absolutely risk free***? They too, as is common with other trades, are legitimately bound to face some risk and only by facing it boldly with proper safeguards can they hope for the prosperity of their business. Unless and until they do this, the private bankers, the famous Chetty Thavanai shops, the many Gujarathi, Marwari and Bania pawn and money shops are to prove the only solace of the middle class merchants and others to obtain their banking facilities from, and in this case the rate of interest is sure to be the same 12 to 18% or even more, without regard to the present 4% Indian Money Market rate. So may we request our Joint Stock Banking Experts to ponder over this suggestion and see that through a radical change, of course with proper safeguards, in their banking rules and procedure, they cater to the needs of the middle class merchants and other citizens by extending to them banking facilities and thus pass on to them the benefit of the present easy monetary conditions of the country and the world at large?

The Evolution of Book-Keeping.

BY

H. J. ELDRIDGE, ESQ., F. S. A. A.,

Secretary to The Institute of Book-keepers, Ltd., London.

Commercial Education must of necessity include a thorough grasp of the principles of Book-keeping. Book-keeping is a Science. It became a Science when the principles of Double-Entry were introduced. This was probably in the fourteenth century.

Account-Keeping was practised long before that, in fact there are records which show that accounts were kept some two or three thousand years B. C. In those early times, tablets of clay were used and by the aid of a stylus cuniform writing was placed on the tablets which were baked in the sun and thus the inscriptions became permanent. There are many tablets in museums which have come to them as the result of excavations in Babylonia.

The first author to write a treatise on Double-Entry Book-keeping was Benedetto Cotrugli of Regusa (Dalmatia). It is dated 1458. But it was not printed until 1573. The first printed treatise was by Frater Luca Pacioli whose book containing the treatise, his "*Summa de Arithmetica Geometria, Proportioni et Proportionalita*" was published in Venice in 1494. It is printed in Italian in black letter. The only English translation published in England is by Mr. Pietro Crivelli, F.C.R.A., a Fellow of the Institute of Book-keepers. The Institute published the book in 1924.

On reading Pacioli's treatise one is impressed by the truth of all his comments. They apply equally to modern times.

Other authors soon followed—Germans, Italians, Dutch and other writers. The first English work was by Hugh Oldcastle whose book appeared in 1543.

Improvements in the adaptation of the principles of Double-Entry were continuous. Pacioli devised three books:—The Waste Book, The Journal and The Ledger. The Waste Book was a Memorandum Book. All entries therein were transferred in proper form into the Journal from which postings to the Ledger took place. The Ledger contained all accounts including the Cash Account.

As time went on, the Waste Book was discarded and the Journal was sub-divided into many books :—Bought Book, Sales

Book, Bill Books and others, while the Cash Account was deleted from the Ledger and became one of the books of primary entry.

Perhaps the most pronounced improvement in the system took place in 1796 when Edward T. Jones, a native of Bristol, England, published his work on the subject. By this time, the Journal had two columns, one for "debit" and one for "credit", whereas in Pacioli's time there was only one column, each entry being posted twice—once to the debit and once to the credit.

By the middle of the Nineteenth Century, the system had become universal and was adapted to suit the requirements of every kind of business.

Still the Evolution of the Science continues and now we find the large business houses substituting "slip posting" for some of the subsidiary books. With the aid of accounting machines totals are obtained without the labour of casting columns. Banks have adopted Mechanised Book-keeping. Their check Ledgers which show the debits of the various ledger sections and the cash and cross casts are recorded by the machines which make these entries at a speed of about 35 per minute.

It may be observed that like account keepers of 4,000 years ago, we again record our transactions without the use of books: cards and loose leaves have been introduced. The account-keeping machine takes the place of the stylus and the carbon copies have superseded the cumbersome clay tablets.

Even in 1683 Robert Colinson wrote:—

"The art of Book-keeping is the very scale of Commerce.........It is a Science absolutely necessarie for all Accomptants".

At the present time an absence of the correct recording of business transactions is unthinkable. Chaos would reign. The science of book-keeping is the foundation stone of commerce.

Leipzig-The World Emporium.

BY

K. P. PADMANABHAN TAMBY, ESQ.,

Indian Editor, "The Mitre Press Anthologies" London; Propagandist, The German Railways Information Bureau, London; Journalist, Press & Trade Representative, Trivandrum.

Leipzig founded nearly ten centuries ago is one of the leading trade centres of the world. The origin of this famous seat of rich and roaring trade is almost shrouded in the obscurity of ancient times. In the history of the world, especially of the European

world, Leipzig has played many epoch-making parts. During the brief periods of peace occurring between the raging wars that devastated Europe, Leipzig gradually developed into a centre of civilisation and the most outstanding market in the occidental world. To-day Leipzig is internationally reputed. In the intellectual, economic, cultural, artistic and commercial lives of modern Germany in particular, and the world at large, Leipzig holds the predominant position. To-day it is a world emporium which has achieved great fame in connection with its Fairs and its Book Trade; and in the realms of Music, Science and Art, its prominence belongs certainly to the first magnitude. Leipzig, the heart of Germany, boasts of a highly cultured population of not less than 720,000.

In the long and eventful history of Leipzig, many are the interesting and important dates. It has exercised very great influence over the Science, Art and Literature of Germany. As early as 1519, in Leipzig, there took place a memorable theological controversy between Martin Luther, "The Morning Star of the Reformation", and Dr. Eck. The illustrious philosopher Gottfried Wilhelm Leibniy, was born at Leipzig on the 1st July 1646. Johann Wolfgang Goethe, one of the supreme literary masters of all ages and climes, was a student in the famous University of Leipzig, during the years 1765 to 1768. Johann Sebastian Bach, the foremost of all Organists, was for a long time at Leipzig, giving concerts in the St. Thomas Church. The celebrated Fabuhst Christian Furchtegott Gallet, was a Professor at the Leipzig University till his death in 1769. In 1746, Gotthold Ephraim Lessing, the noted thinker and critic was a student at Leipzig. Friedrich Schiller wrote his *Lied an die Frende* in 1785 while at Leipzig. Felix Mendelssohn Bartholdy, conducted the concerts in Gewandhans in 1835 and helped to found the Academy of Music. It was while living at Leipzig that Robert Schumann taught at the Academy of Music and composed his best known works. The world famous Operas of Albert Lortzing, were composed at Leipzig. Richard Wagner, first saw the light of day in Leipzig in May 22nd, 1813. These are but some of the many notable dates in the glorious history of Leipzig.

The Sample and Technical Fairs are held at Leipzig, twice a year. There are many Exhibition Buildings in the city. Underneath the great Market Square is situated the largest subterranean exhibition hall in the world. The Technical Fair with a whole series of exhibition buildings, stretches

at the foot of the vast and wonderful Memorial to the Battle of Nations. Leipzig Railway Station is one of the biggest in the globe and has 300 metre frontage and more than two dozen platforms. East Leipzig is particularly famous for Book Trade and is devoted exclusively to business relating to books. The great Book-Sellers' and Publishers' Guild House, is situated in East Leipzig. The German Book Archive, where everything that is printed in the German language is collected, forms a wonder of the intellectual world. Founded in 1409, the Leipzig University has won international reputation and recognition. Leipzig is one of the widely known Music centres of the world. The Gevandhans and the Conservatorium, founded in Leipzig, have considerably enhanced the prestige of the city's pre-eminence as an important music centre. In the wealth and range of Museums, Leipzig stands out unique. Leipzig occupies a very central position. It is reached from Berlin by rail in 2½ hours. The beautiful city throbbing with life, lies midway between the Itary Mountains and the Thuringian Forest, both of which are long renowned for their charming scenery and sanatoria. The important cities of Dresden, Bresabi, Bremen, Cologne, Frankfurt, and Munich are easily reached from Leipzig. The Old Town Hall the Market Square, the New Town Hall, the Academy of Music, and the University, are some of the finest buildings, in the civilised world, which are possessed by the city of Leipzig. Beautiful structures that bear eloquent witness to the glorious vitality of art, are to be met with in Leipzig, the busy city of trade, commerce and industry.

The overwhelming importance and reputation of Leipzig, primarily centres round her achievements in the realms of trade, commerce, industry and such allied branches of human intellect and endeavour. The Leipzig Fair, has acquired all-world honour and caused immense effect. In the World of Business and Commerce, Leipzig looms large. Twice a year this international Fair is held and not less than 20,00,000 exhibitors from all parts of the globe participate in it. The Fair attracts countless customers and continuous streams of interested visitors to Leipzig. Passing through Geamany, an extremely interesting and eminently edifying volume, records that in the last Spring Fair, of the 9540 Firms which displayed their goods, 1207 hailed from 25 different countries, even in spite of the menace of economic depression. Many countries, Austria, Russia, China, France, India, Great Britain, Italy, Norway, Denmark and United States of America, take leading parts in the Leipzig

Fairs. The Leipzig Fair in which all leading nations and countries are evincing a genuine and lively interest, has been in uninterrupted existence for over seven centuries. It is noteworthy that there is a close alliance between the histories of the city and Fair. The city grew out of humble beginnings to one of the most important centres of World Trade. The Leipzig Fair made rapid strides of progress from a little local market, into the largest International Fair. There has been systematic progress, as the outcome of the hearty co-operation of businessmen from all parts of the commercial world. In 1930, nearly 200,000 visitors attended the Leipzig Fair, out of which no fewer than 42,500 were people from abroad. Raw materials and natural resources suitable for export are displayed at the Leipzig Fair, by enterprising manufacturers and trade magnates, in an abundant quantity and quality. On an average every year more than 2,100,000 visitors pour into Leipzig. Of this not less than 35,000 buyers from foreign countries are to be seen.

The Leipzig Fair falls into two main divisions:—

Samples Fair and *Great Engineering and Building Fair*. The first Fair with thousands and thousands of samples, is conducted in the 39 fine and spacious Fair Palaces, in the crowded business section of the city. The other Fair, chiefly devoted to the machinery of production is housed in the 17 huge halls in the suburbs on special, extensive Exhibition Grounds. The Fair is conducted by the *Leipzigger Messamt* (Leipzig Fair Office). The Spring Fair begins on March 6th and the Autumn Fair on August 28th.

In this connection it should be remembered that Leipzig is doing a lot to further International Trade and create intimate relations among the manufacturers, the traders and the common people, throughout the globe. Like the Pompous Fairs. associated with the great Pan Hellenic Games of ancient Greece, which deeply influenced all the civilised world of those olden days and contributed vastly to better understanding between peoples in those turbulent times, the Leipzig Fair exercises profound influence in the Commercial and Cultural lives of to-day and is a most potent factor in the advancement of international feeling and mutual co-operation without which business in a large scale could never be carried on successfully.

(To be continued).

Cheques.

(*Continued from page 26*).

Having discussed in the previous issue about the importance of presenting a cheque for payment at the bank on which it is drawn within a reasonable time, we shall now examine in detail the various parts of a cheque and the purpose served by each together with its importance.

Place and Date. At the right-hand top corner, a cheque should contain the name of the place at which and the date on which it is drawn, though the law does not invalidate a cheque that does not contain these particulars. It has become the general practice to add the place and date for every cheque. If an undated cheque is presented at the drawee bank, payment will be refused on the plea " cheque is incomplete ".

As regards the date, it may be anti-dated, post-dated or dated on a Sunday. By the term anti-dated we mean, dating it with a date that has already passed. For example, a cheque drawn on the 2nd February, 1933, but dated as 25th January 1933 is an anti-dated cheque. 'Post-dated means' putting a date that has yet to arrive. Again, a cheque drawn on the 2nd February but having the date as 15th February 1933 is an example of a post-dated cheque. The effect of this is that the payee cannot obtain payment at the bank on which it is drawn until the date of the cheque arrives and if the banker carelessly pays it before the date it bears on its face, he places himself in an awkward position by being unable to debit the account of the Drawer, i. e., his customer, until that day arrives. In the meanwhile, if the customer draws cheques on his account, either for the whole amount standing to the credit or for a major portion of it, leaving only a smaller balance than the amount of the post-dated cheque, the banker has no other option but to honour them and wait patiently for the arrival of the date as stated on the face of the cheque and then debit his customer's account with its amount. And if by so doing the customer's account results in an overdraft he should request him to arrange for an immediate payment to clear the debit balance, unless the customer himself has previously made an arrangement for overdraft facilities. Supposing the customer keeps only a very small account and is not a trustworthy individual to whom in the natural course, no overdraft

will be granted because of his poor means, the banker, by paying carelessly a post-dated cheque exposes himself to the risk of being at times unable to recover anything from such customer and lose thereby. The effect of drawing a cheque on a Sunday is that it is payable only on the next working day.

The fact that the Negotiable Instruments Act does not interfere with the practice of issuing post-dated cheques, gives a certain amount of advantage to the mercantile public. Suppose, Rama a trader purchases goods from Krishna, on the understanding that the value of the goods purchased by the former should be paid to the latter within 30 days, less 5 per cent discount. Naturally from Rama's point of view, it would be his desire to take *full* adtage of the maximum period of credit, namely 30 days, and at the same time not to lose the benefit of the 5% discount offered. So he wishes to pay the account on the 30th day, that is, the very last day of credit, and at the same time obtain the 5% discount. If by forgetfulness on account of his multifarious duties or any other cause he fails to pay the account on the last day, he will have to lose a 5% for one day's default, and this loss nobody will like to incur. Hence, as a precaution against such forgetfulness and its consequent loss of discount, he draws a cheque dating it with the last day of credit for the value of his purchases less the discount of 5% and hands it over to the seller on the very same day of taking delivery of the goods.

In the same way, it is not uncommon to find a number of post-dated cheques issued by a borrower in favour of his lender when a loan is obtained from him on the understanding that the loan is to be repaid in some, say four or five, monthly instalments.

Suppose instead of a cheque being post-dated for purposes stated above, it begins with the words "Pay on the 15th February 1933 to C or order" in the body of it, then it loses the characteristics of a cheque and becomes a period bill of exchange requiring stamp according to the amount for which it is drawn. In our opinion persons frequently issuing post-dated cheques, with a view to evading the expense on account of stamp duty which will otherwise have to be incurred when Pro-notes or Bills of Exchange are the proper documents to be used for purposes stated above, are abusing the provision of the Law of Negotiable Instruments.

A cheque must always be addressed to a Banker. An order addressed to a person

or a firm not carrying on the business of banking is *not* a cheque. But unfortunately, in our country the definition of the term "Banker" is still uncertain in the absence of a legal definition in the Negotiable Instruments Act. Even in England the same is the complaint. But then whom shall we call a banker? We may say that a banker is one "who has an open shop, with proper counters, servants and books, for receiving other people's money, in order to keep it safe and return it upon demand". So, a landlord or a Mirasdar occasionally having some money lending business, but not as a regular profession, without an office or shop, counter etc., is not a banker in the proper sense of the term. The main criterion, therefore, is that he must be engaged in money-lending, receiving other people's money etc. as his regular business and carry it all through the year in a recognised place with or without a signboard in front of his shop.

A cheque must always be payable on demand.

Cheques may be divided into two classes, viz., 'order' and 'bearer' cheques, and we hope our readers would have noted this from the specimen cheque found in the previous issue. An 'order' cheque is one which is expressed to be so payable on its face. A cheque payable to a certain person without the words " or order " appearing after the payee's name is also payable to order, provided there is no restriction as to its transfer by writing the words "and him or them only".

A bearer cheque is one which is expressed to be so payable, or on which the only or the last endorsement is a blank endorsement. At times cheques are drawn as " Pay Robinson Crusoe or order ". Here the payee is a fictitious or non-existent person and as such the cheque may be treated as payable to bearer. Business men for the sake of convenience in making cash book entries generally draw cheques on the pay-days as " Pay wages or order ", or " Salary or order " or " Rent or order " etc. Here also such cheques may be treated as payable to bearer, but bankers as a precautionary measure make a distinction between impersonal payees such as Wages, Rent etc., and a non-existent person, such as Robinson Crusoe, and generally insist upon the drawer's signature at the back of the cheque when its payee is an impersonal account. So, a cheque drawn by a customer on his banker, made payable to a non-existent person need not be signed at its back, but the Drawer will have to sign it at its back if it is drawn as "Pay wages or order."

A cheque should be made payable to a certain person or order, or to a certain person or bearer. It may also be made payable to a certain person and him only; but at any rate the payee should be named with certainty. The payee himself may obtain payment for a cheque by presenting it at the bank on which it is drawn and if for any reason he is not able to attend to this business himself he may employ an agent. The words 'or order' appearing after the payee's name empower him to transfer his interest in the cheque to any one he likes and the transferee is entitled to present it at the bank, obtain payment for it and give a valid discharge. The transfer of this right is done in a very simple manner. All that the payee has to do is to simply write the name of the person to whom he wishes to transfer the cheque, add his signature below it and then deliver the cheque to the transferee. This act is called 'endorsing' a cheque. The payee by endorsing a cheque takes the new name 'endorser' and the person to whom it is endorsed is known as the 'endorsee'. The endorsement is generally made on the back of a cheque, though writing it on the face of a cheque itself will not be illegal.

A cheque which is made payable to a certain person or bearer does not require the endorsement of the payee when he wishes to transfer his interest to another. It is enough if he simply delivers it to the person to whom he wants to transfer his right. As it is payable to the payee *or bearer*, the drawee banker also does not pay much importance to the person presenting it, nor is he expected to do so. Hence, though there are two forms of cheques, viz., the order and bearer forms, the former is more commonly used as it gives a greater security to the payee. In the case of a bearer cheque a thief who may obtain possession of it will easily be able to cash it, but in the case of an order cheque he cannot so easily do, but will have to forge the payee's name and this will cause some fear in his mind as to the future consequences of his forgery.

A bearer cheque can be converted into an order cheque by striking out the word 'bearer' and adding the word 'order'. This can be done by anybody, either by the drawer, or by the payee or by any holder because this alteration provides more safety to the instrument. But on the other hand, an order cheque cannot be converted into a bearer cheque by all except *by the drawer and him only,* because by the alteration the safety of the cheque is reduced. In this

case the alteration should be supported by the initials, better by the full signature, of the drawer.

Amount. The amount of a cheque should be stated definitely. In the body of a cheque it should be stated in words and at the bottom left-hand corner, in figures. If there is any difference between the amounts as stated in figures and in words, the cheque will not be paid on the plea 'amounts differ'. It is quite legal for a banker to pay the amount of a cheque as stated in words though the amount in figures may be different. But in actual practice, a banker looking after the interest of his customer generally returns it marking it 'amounts differ'. Supposing the holder of a cheque insists upon a banker paying him the amount as stated in words, will he succeed? Probably he may; but it is rather doubtful. Because the banker immediately brings to his rescue the definition of a cheque which insists on "a sum certain". As, in this case, the sum is uncertain the banker may refuse to pay, and perhaps he is right too.

Signature. This deals with the most important part. The customer should sign his name in the same way in which he has signed his name in the banker's specimen signature book on the day when his account was opened at the bank. By honouring a customer's cheque, a banker takes some risk in finding out whether the signature of the customer as found on the face of the cheque is exactly similar to that he has in his specimen signature book and it is one of his main functions to take this risk. If a banker pays a cheque containing the forged signature of his customer, he cannot debit the customer's account, as in reality there has been no order to the banker from his customer to pay and he will have to lose the amount so paid unless the person to whom payment was made is well-known to him, is a man of means and if called upon to pay will immediately do so.

(*To be continued.*)

The following notifications of the Government of India are published for the information of our readers :—

(1)

FINANCE DEPARTMENT.

No. F. 3 (1 A) F-33.

Dated New Delhi, the 24th January 1933.

From the 1st February 1933 upto the 28th February 1933, inclusive, holders of—

(1) **5 per cent War Loan,** *1929-47,*

(2) **5 per cent Bonds,** *1933.*

(3) **6 per cent Bonds,** *1933-36.*

will have the option of converting their holding into the

4 per cent Loan, 1960-70.

which was issued under the terms of the Government of India, Finance Department Notification No. F. 70-F/26, dated the 25th May 1926, under the following terms:—

CONVERSION TERMS,

5 per cent War Loan, 1929-47.

2. For every Rs, 100 (nominal value) of the 5 per cent War Loan, 1929-47, tendered for conversion, applicants will receive Rs. 100 (nominal value) of the 4 per cent Loan, 1960-70, bearing interest from the 15th March 1933, and the following payments in cash at the time of issue of the new securities:—

(*a*) Rs, 7—8—0 as cash bonus on conversion; and

(*b*) interest accrued and accruing on the 5 per cent War Loan, 1929-47, tendered for conversion, up to the 14th March 1933, at the rate of 5 per cent per annum.

5 per cent Bonds, 1933.

3. For every Rs. 100 (nominal value) of the 5 per cent Bonds, 1933, tendered for conversion, applicants will receive Rs. 100 (nominal value) of the 4 per cent Loan, 1960-70, bearing interest from the 15th March 1933, and the following payments in cash at the time of issue of the new securities:—

(*a*) Rs. 8—8—0 as cash bonus on conversion ; and

(*b*) Interest accrued and accruing on the 5 per cent Bonds, 1933, tendered for conversion, up to the 14th March 1933, at the rate of 5 per cent per annum (free of income-tax).

6 per cent Bonds, *1933-36*.

4. For every Rs. 100 (nominal value) of the 6 per cent Bonds, 1933-36, tendered for conversion, applicants will receive Rs.100 (nominal value) of the 4 per cent Loan, 1960-70, bearing interest from the 15th March 1933, and the following payments in cash at the time of issue of the new securities:—

(*a*) Rs. 8—8—0 as cash bonus on conversion; and

(*b*) interest accrued and accruing on the 6 per cent Bonds, 1933-36, tendered for conversion, up to the 14th March 1933, at the rate of 6 per cent per annum.

SUPPLEMENTARY PROVISIONS.

5. The nominal value of the securities tendered for conversion must be a multiple of Rs. 100.

6. The loan will be issued in the form of—

(*a*) Stock, the applicants for which will be given Stock Certificates, or

(*b*) Promissory Notes.

If no preference is stated by the applicants, the securities will be issued in the form of Promissory Notes,

7. Applications will be received at the Local Head Offices and Indian branches of the Imperial Bank of India and at all Government treasuries.

8. Applications may be in the form attached hereto, or in any other form which states clearly the amount and the description of the securities required, the full name and address of the applicant and the treasuy or sub-treasarv at which he desires that interest shall be paid.

9. Tenderers of securities for conversion must transfer such securities to Government (*a*) in the case of Stock, by signing the form of transfer deed on the back of the Stock Certificate before a witness, and (*b*) in the case of Promissory Notes, by endorsing them with the words "Pay to the Governor General in Council" over their signature. In the case of Bearer Bonds no writing is necessary,

10. Brokerage will be paid at the rate of 1/16 per cent to recognized brokers and bankers on applications for conversion bearing their stamp.

11. Applications for conversion will also be received at the London office of the Imperial Bank of India.

12. Cash payments in accordance with paragraphs 2 to 4 above will be made by the London office of the Imperial Bank of India by means of rupee drafts on India which will be negotiated by the Bank, if the recipient so desires, at the current rate on the dat e of payment.

The London office of the Imperial Bank of India will send weekly advices to the Public Debt Office, Calcutta, of all applications received by them, and the latter will forward the scrip direct to the applicants.

FORM OF APPLICATION.

I ________________
We.

herewith tender

**5 per cent War Loan, 1929-47,
of the nominal value of Rs.**

**5 per cent Bonds, 1933,
of the nominal value of Rs.**

**6 per cent Bonds, 1933-36,
of the nominal value of Rs.**

and request that **4 per cent Loan, 1960-70,** of the nominal value of Rs __________ may be issued to me/us in the form of Promissory Note(s)*/Stock Certificate, interest to be payable at __________

Signature __________

Name in full __________

Address __________

Dated __________ 1933.

NOTE.—Securities tendered for conversion should be endorsed with the words "Pay to the Governor General in Council" over the signature of the applicant if they are in the form of Promissory Notes, and the transfer deed on the back should be signed by him before a witness if they are in the form of Stock Certificates. In the case of Bearer Bonds, no writing is necessary.

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*Promissory Notes will be issued in denominations of Rs. 100, Rs. 200, Rs. 500, Rs. 1,000 Rs. 5,000, Rs. 10,000, Rs. 25,000, Rs. 50,000 and Rs. 1,00,000. State here particular denominations required.

(2)

FINANCE DEPARTMENT.

No. F. 3 (1 B) F-33.

New Delhi, the 24th January 1933.

Government of India 5 per cent War Loan, 1929-47.

NOTICE OF REPAYMENT.

Under the terms of the Government of India, Finance Department, Notification No. 380-F., dated the 1st March 1917, the Government of India have the right to redeem the whole of the 5 per cent War Loan, 1929-47, or any part of it, at par, on or after the 15th August 1929, on giving three calendar months' notice in the *Gazette of India*. The Government of India notify accordingly that the whole of the 5 per cent War Loan, 1929-47, will be repaid at par on the 15th May 1933 with all interest due up to date. Interest will not accrue on the loan from and after the 15th May 1933.

(3)

FINANCE DEPARTMENT.

No. F-3, (I C) F-33.

New Delhi, the 24th January 1933.

Government of India 6 per cent Bonds, 1933-36.

NOTICE OF REPAYMENT.

Under the terms of the Government of India, Finance Department, Notification No. F. 3 (XI) F-30, dated the 23rd July 1930, the Government of India have the right to redeem the whole of the 6 per cent Bonds, 1933-36, or any part of them, at par, on or after the 15th August 1933, on giving three calendar months' notice in the *Gazette of India*. The Government of India notify accordingly that the whole of the 6 per cent Bonds, 1933-36, will be repaid at par on the 15th August 1933 with all interest due up to date. Interest will not accrue on the Bonds from and after the 15th August 1933.

(By order of the Governor-General in Council)

A. A. L. PARSONS,

Secretary to the Government of India.

S. R. ACHARYA & SON,

41, Danappa Mudali Street, Madura, (S.I.)

SOLE AGENTS
(Madura & Ramnad Districts)

FOR

(i) Atank Nigrah Pharmacy of Jamnagar; (Established 1881)

(ii) Dr. Khanumiah's Celebrated Unani Tooth Powder; (Estd. 1915)

&

(iii) Sub-agents for The Industrial and Prudential Assurance Company, Ltd., Bombay; (Estd. 1913).

Studies in Indian Foreign Trade.(1)

INTRODUCTION.

By

K. S. Srikantan Esq. M. A., F. R. Econ. S. (London).

An attempt is made in the following pages to give the readers a brief idea of India's position in world trade. The writer need present no plea for an article of this kind, for a nation's share in foreign trade has practically become the barometer of her prosperity. The foreign Trade of India is centuries old. In fact, as early as fifteenth century B. C., we find traces of India's intercourse with the West in the cuneiform inscriptions of the Hittite King of Mitani in Cappadocia. Assurbanipal is said to have sent for Indian plants including "wool-bearing trees" of India. The cotton trade of india is equally old. Pieces of Indian Teak have been found in the temple of the Moon at Mughier, "the Ur of the Chaldees," and also in the palace of Nebuchadnezzar, in the 6th century B. C. We have again a reference in the Book of Genesis to a company of traders with their camels bearing myrrh, spicery and balm to Egypt. The booty of Pharaoh included numerous Indian animals and articles among which mention may be made of elephants, monkeys, precious stones and gold. The share of South India in the world trade of olden days was no less. In the words of Sewell, "The Andhra period (200 B. C. to 250 A. D.) seems to have been one of considerable prosperity. There was trade both overland and by sea with Western Asia, Greece, Rome and Egypt as well as with China and the East. Embassies are said to have been sent from South India to Rome. Indian Elephants were used for Syrian warfare. Pliny mentions the vast quantities of spice that found its way every year from Rome to India, and in this he is confirmed by the author of the Periplus. Roman coins have been found in profusion in the Peninsula, and especially in the South. In A. D. 68 a number of Jews, in fleeing from Roman persecution, seems to have taken refuge among the friendly coast people of South India, and to have settled in Malabar." In the face of these facts it is certainly strange that a recent writer should observe "whatever might have been the nature and extent of our foreign trade in the past it can be said

that it played a subordinate part in the economic life of the people till the middle of the last century."*

The need for a vigorous foreign trade has been recognised at all times in all countries. Today it is impossible for a country to exist without a share in the world's trade. The remarkable development in the means of communications has made the world infinitely smaller than it was before. And every country has stood up to compete with its neighbours. The immediate consequence of this is the fact that the political prestige of a country has come to depend upon the place she occupies in the galaxy of trading nations. Rightly or wrongly the export and import figures have come to be looked upon as the indication of a nation's prosperity, just as the bank account is looked upon as the symbol of an individual's prestige. It is therefore clear that if India is to get her legitimate respect at the hands of other nations, she has to concentrate her attention on increasing her share in the world trade. It is certainly strange that in recent years the political and the social problems of hers should have practically pushed to the background her economic problems. "In India, though the immediate problem seems to be political, the real problem is economic, namely that of ensuring to the millions of inhabitants of this country a decent existence; in other words of allowing them a chance to rise above the margin of subsistence which is the level to which they have fallen."

It is however possible for an arm-chair economist to rest content with the existing trade. For, 600 crores of rupees, (for that represents her total foreign trade) is no ordinary sum. This aggregate trade gives her the fifth place among the trading nations of the world. She is next to Germany. Nay, he may even say that she has got the most favourable balance of trade exporting as she does, commodities exceeding in value over the commodities she imports. He can also draw for his support the old Mercantilists who strived hard to keep up an import of specie. Her exports have increased from 3,297 lakhs of rupees in 1860—61 to 26,300 lakhs of rupees in 1929—30 showing thereby an increase of nearly eight times. In the eyes of a theorist this is clearly a point over which we have to be proud. While there are those that think that a favourable bala-

* Growth of Trade and Industry in Modern India etc. by C. N. Vakil & others.

ance of trade is always an index of prosperity, there are again others who think that international trade means invariably an advantage to both parties. To this school of thought belongs Bastable. He observes in his interesting book *"The Commerce of Nations"*; "the consideration of what is our proportion of gain is after all more a question of scientific curiosity than of practical importance."

These views are definitely wrong. The foreign trade of a nation is as bad an indication of a nation's greatness as the bank account of an individual. The figures that have been given above, although baffling in magnitude are on a careful examination found to be more a drain rather than a gain. To assess the real value of a nation's foreign trade is not an easy matter. One has to go behind the figures, find out the commodities exported and imported and that the price the country has to pay before coming to a conclusion in regard to the utility of foreign trade. In the words of Joseph Grunzel "It is not a matter of indifference whether the articles concerned in imports and exports are destined for final consumption or for use in further production, i. e., whether they are consumers' or producers' goods. Thus the national economy of a country is certainly more favourably affected when one hundred million marks are used to purchase raw cotton which will be increased in value manifold, in succeeding transactions by the industry, than if the hundred millions had been expended for coffee to be consumed at the same value. So when machinery, electric apparatus, railway material, etc., are purchased which find enduring application in the productive process of the country, a different judgment must be passed of such transaction than that which is applicable to the importation of fashionable articles of women's apparel which is merely consumed and do not survive a single season."

Viewed in the light of the above observation, we find that the figures of Indian trade are misleading. That there is something wrong and unsatisfactory in the growth of her foreign trade is clear from the fact that her poverty has only been increasing in spite of the growth of her foreign Trade. In spite of her so called favourable balance, she has not been better even a bit for the past one hundred years.

The first question that we have to ask if we have to understand the gain to a

country is what are the commodities that enter into the foreign trade. In the words of Alfred Marshall, "Mere volume of trade shows nothing......A country's foreign trade is likely to be increased by a rapid advance in those industries which are already ahead of similiar industries in other countries, because such an advance increases her power of exporting at a profit. But her foreign trade is likely to be lessened or at all events its growth is likely to be checked by an advance in those industries in which she is relatively weak; because such an advance will tend to diminish her need of exports". It may also happen that the parties to the trade though living in different countries are after all natives of the same land. It is again possible that the commodity exported may be manufactured by foreign capitalists having their headquarters in our own country. We find that in the case of India most of the products exported are practically raw materials—raw materials which could easily be converted into manufactured articles and sold at prices several times higher than what they are. It is no doubt true that the demand for a large number of Indian agricultural products has greatly stimulated their cultivation. The growth of oil seeds, cotton, jute and tea depends entirely upon the foreign demand. At the same time, the import of machinery has helped the establishment of several factories. To mention these is not to admit that foreign trade in India taken as a whole has been of immense benefit to her. The baffling nature of the figures falls to the ground the moment one thinks of the per capita foreign trade. She no longer occupies the fifth place, but goes to the very bottom.

IN U. S. A. DOLLARS. §

1925

Australia	...	255
Canada	...	244
Denmark	...	233
United Kingdom	...	208
Belgium	...	192
France	...	105
Germany	...	80
U. S. A.	...	79
Japan	...	33
India	...	7·3
Russia	...	4.7
China	...	3.2

(continued on page 63.)

§ League of Nations Memorandum on Foreign Trade Balances.

Talks to Short-hand Students.

BY

P. S. PITCHUMANI, ESQ., B.A., L.T.,

First Assistant, High School, Pattamadai.

The importance of Shorthand in a scheme of Commercial Education can hardly be exaggerated. It has been rightly observed that "Shorthand is an educational subject of the highest order." It is therefore imperative that all students who wish to learn Shorthand should be trained in the most efficient methods of approaching the subject. This, of course, implies that the teacher of Shorthand should himself possess not only a sound knowledge of the theory and practice of the system, but also of the best way of teaching it to his pupils.

The following "talks" relate to the Pitman's system of Shorthand in English. None among the commercial subjects demands as great a knowledge of English on the part of the students, as Shorthand. However thoroughly a pupil may have worked out the exercises of the Instructor, he feels considerably handicapped, especially in the higher stages, if his knowledge of the English language is poor. The deplorable results in the Government Technical Examinations in Shorthand are due, among other causes, mainly to this one defect. Hence, the first requisite of a student who aspires to become a successful Shorthand Writer is a thorough mastery of English Grammar and a good command of the English language.

I shall confine myself, in this article, to the giving of a few practical hints to the beginner who desires to equip himself for the Lower and the Junior Grades of the Madras Government Technical and the London Chamber of Commerce Examinations respectively. From start to finish, the students should clearly understand the rules and principles enunciated in each chapter and work out not merely all the exercises therein, but also the examples given under each rule. Pitman's WRITING EXERCISES may very usefully be resorted to for drilling purposes. The student's mastery of the Principles at every stage of his study should be so thorough that he should find absolutely no difficulty in explaining why an outline for a word has to be written only in one particular way and not in any other. In this connection, the writer gladly recollects how, a decade back, in the Principles Paper of the S. S. L. C. Public Examination in Short-

hand, there was a question asking the candidates to write certain words in Shorthand and to give also the reason for the choice of the particular outline employed; and he wonders why similar questions do not appear in the S.S.L.C. Paper now, or even in the Government Examinations.

Again, the dictation and speed practice need not be religiously relegated to the end of the course, when the lesson on Contractions is done. It should be a regular feature fairly from the beginning. "The exercises should be dictated over and over again at increased rates, until the limit of speed with accuracy of outline has been reached. The vowel signs should be inserted at the first dictation, but omitted afterwards." It is of the utmost importance that the student should write the outlines quite legibly, in the proper proportion, and in the correct position with reference to the line. It is a sad experience with many pupils that they miserably confuse one outline for another, and commit awful mistakes in the reading or transcription of the dictated passage. The following are a few examples: *with* and *when*, *with* and *what*, *with* and *that*, *and* and *should*, *a* and *the*, *of* and *to*, *for* and *have*, *for* and *if* and *is* and *as*. Errors like these should be scrupulously guarded against, as these spoil the whole performance, even more than difficult outlines. The remedy lies in constant practice alone.

Zealous students there are, who think that, by a mere reading out of all the Chapters of the Instructor, they can master the science in no time even as History or Geography, Politics or Economics. So they set to work in right earnest and finish the portion within a month or so. But they soon find, much to their disappointment, that, the moment they sit down to take a dictation, their fingers falter, and they are at their wit's end to proceed further. Shorthand is to be learnt not by mere reading, but by actual writing. The Grammalogues, Phraseograms and Contractions should ever be at one's fingers' ends. A New Era Shorthand Dictionary may be referred to for the outlines of unfamiliar words. Passages should be dictated by a competent reader, at graded rates of speed, the increase being at 4 words per week, commencing from 40 words speed. Transcription of the dictated passage should be done every day, if possible. For, it is by this test alone that the student will realise the quality of his work. Frequent reading of, and copying from, some of the SHORTHAND READING BOOKS now available in the market will also go a great way to enable him to attain the required speed very easily. With persevering effort and determination, success is bound to come.

(To be continued).

Madras Government Technical Examinations,

APRIL, 1932.

BOOK-KEEPING—LOWER GRADE—FIRST PAPER.

ANSWERS.

Qn. 1. The *Journal* is also absolutely necessary for a business though it may have in use the Cash Book, Day Books, Returns Books and Bill Books for :-

(1) Writing the opening journal entries when it has to record its assets and liabilities at the beginning of a fresh trading period,

(2) Recording transactions relating to the transfer and dishonour of bills receivable, dishonoured bills payable, entry of noting charges on dishonoured B/P and interest on its renewal; purchase and sale of properties other than goods purchased for re-sale,

(3) Charging interest on overdue accounts, on capital and Drawings, depreciation on properties such as plant and Machinery, Furniture etc., in use in the business,

(4) Writing off Bad Debts, making provision for Bad and Doubtful Debts, Discounts on Debtors and Creditors, adjustment of expenditure paid in advance and unexpired, apprentice premium received and other several adjustments commonly made at the end of a trading period,

(5) Making correcting and closing entries, and generally for

(6) Recording all *other* transactions that could not be conveniently entered in any other subsidiary book or book of original entry.

Qn. 2. Stock taking is the process of finding out the value of unsold goods on hand in a business at the end of a given trading period. It is generally done by preparing a list of the various classes of goods on hand together with their quantity. The value for each class of goods is then fixed and the total value for all the goods so arrived at represents the value of closing stock to be taken to the Trading Account.

The value entered against the closing stock in the Trading Account is usually arrived at by valuing the unsold stock at Market Price or at Cost Price whichever is lower. The value arrived at in this manner is quite independent of the ordinary trading transactions and it has nothing to do with the book-keeper and his usual work. The responsibility for its correctness or otherwise solely rests with the Manager, Proprietor or other trusted official of the business.

A trader preparing his final accounts by roughly estimating the quantity and value of unsold stock on hand at closing time after making a casual survey of the same is sure to be misguided, nay even deceived, by the Gross Profit as shown by his Trading Account containing such value of closing stock on its credit side. As the quantity of closing stock is likely to be under or over-estimated, and as the valuation adopted is also likely to be either below or above the market price, without regard to the cost price of each article and the sound principles of stock-taking as stated in answer to the first part of this question, the Gross Profit is sure to be *fictitious, unreliable* and *misleading* and it will affect the net profit, closing capital and the Balance Sheet which should show the true state of affairs. In addition to all these, as this closing stock will form the opening stock for the next trading period, the Gross Profit for the next trading period also is sure to be affected.

Qn. 3.

Form of Petty Cash Book suitable for a trader maintaining it under the Imprest System for recording Petty Expenses paid on his own account and on behalf of his customers.

Dr. **Cr.**

Date.	Particulars.	L. F.	Amount	Date.	Particulars.	L. F.	Total	Postage & Telegrams	Stationery.	Lighting	Sundries	Payments on behalf of customers A	Payments on behalf of customers B
			Rs. a. p.				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1930 Feb 1	To Bank ...	6	100	1930 Feb 1	By Postage ...	45	12 8 ...	12 8 ...					
28	,, Cash ...	8	79 10 ...	3	,, Stationery ...	46	20		20				
				5	,, A (carriage)...	30	5					5	
				7	,, Lighting Exp.	47	6 2 ...			6 2 ...			
				9	,, Telegrams ...	45	3	3					
				15	,, Donations ...	48	5				5		
				18	,, B (carriage)...	31	4 8 ...						4 8 ...
				20	,, Postage ...	45	10	10					
				25	,, Telegrams ...	45	5	5					
				26	,, Stationery ...	46	2		2				
				27	,, Lighting Exp.	47	1 8 ...			1 8 ...			
				28	,, B (car.) ...	31	5						5 ... ...
							79 10 ...	30 8 ...	22	7 10 ...	5	5	9 8 ...
					,, Balance c/d...		100						
			179 10 ...				179 10 ...						
Mar 1	,, Bal. b/d. ...		100										

The Petty Cash Book having been prepared like the above, the various nominal and personal accounts in the analytical columns will be debited individually in the Ledger in an account opened for each. Supposing the P. C. B. is maintained as a part of the Ledger, as the Cash Book, then there will be no Petty Cash Account in the Ledger. But if it is kept only as a Memorandum Book, a Petty Cash Account will be opened in the Ledger, and on the 28th February, an entry, ***debiting*** all the nominal and personal accounts with the respective totals of the analytical columns and ***crediting*** the petty cash account with the amount as shown in the total column will be made, in the Journal and then posted to the Ledger.

Qn. 4. The following are the Journal Entries required to rectify the discrepancies and reconcile the Pass Book and Cash Book balances as on 30th June 1930.

		Rs. a. p.	Rs. a. p.
(*a*) Brown	Dr.	12 0 0	
To Bank			12 0 0
(Being correcting entry for not recording dishonoured cheque returned by Bank on 15-1-30)			
(*b*) Interest	Dr.	3 0 8	
To Bank			3 0 8
(Being correcting entry for debiting Bank account for half year interest in excess)			
(*c*) Bank Commission	Dr.	1 4 6	
To Bank			1 4 6
(Being correcting entry for crediting the bank for C-1-6 instead of Re. 1-6-0)			
(*d*) Bills receivable	Dr.	150 0 0	
To Bank			150 0 0
(Being correcting entry for wrongly crediting the B/R account instead of Bank which returned the bill dishonoured)			
(*e*) Suspense Account	Dr.	10 0 0	
To Bank			10 0 0
(Being correcting entry for Bank column Debit over-added by Rs. 10/-)			

It seems the Cashier is responsible for another error in balancing the Bank column of the C. B. to the extent of one anna. So another correcting entry is needed and it is as follows :—

Bank Account	Dr.	0 1 0	
To Suspense Account			0 1 0

As a result of the above corrections, the Bank column of the Cash Book will show a balance of Rs. 3,199—6—4 and this is proved to be correct by the following Reconciliation Statement :—

BANK RECONCILIATION STATEMENT.

	Rs. a. p.
Balance as per Bank Pass Book	3,594 6 4
Add Value of Cheque sent for collection but not yet collected	30 0 0
	3,624 6 4
Deduct Value of Cheques issued but not yet presented at the Bank	425 0 0
Balance as per Bank column of C. B. after correction	Rs. 3,199 6 4

Qn. 5.

Goodwin & Sons' Ledger.

RENT PREMIUM ACCOUNT.

Dr. *Cr.*

1929

Date	Particulars.	L.F.	Amount. Rs	a.	p.	Date	Particulars.	L.F.	Amount. Rs	a.	p.
1929 Mar. 1	To Cash (Premium for 2 years)		1200	0	0	1929 Dec. 31	By Rent a/c (10 months' portion transferred)		500	0	0
							,, Balance	c/d	700	0	0
			1200	0	0				1200	0	0

1930

Date	Particulars.	L.F.	Amount. Rs	a.	p.	Date	Particulars.	L.F.	Amount. Rs	a.	p.
Jan. 1	To balance	b/d	700	0	0	Dec. 31	By Rent account		600	0	0
							,, balance	c/d	100	0	0
			700	0	0				700	0	0

1931

Date	Particulars.	L.F.	Amount. Rs	a.	p.	Date	Particulars.	L.F.	Amount. Rs	a.	p.
Jan. 1	To balance	b/d	100	...	...	Mar. 1	By Rent account		100	...	...
			100	...	...				100	...	...

RENT ACCOUNT.

Dr. *Cr.*

1929

Date	Particulars	Rs.	a.	p.	Date	Particulars	Rs.	a.	p.
1929 June 5	To Cash	300	0	0	Dec. 31	By P. & L. Account	1500	0	0
Sep. 5	,,	300	0	0					
Dec. 5	,,	300	0	0					
,, 31	,, Rent Premium Account for 10 months	500	0	0					
,, 31	,, balance b/d. (1 month rent due)	100	0	0					
		1500	0	0			1500	0	0

Dr. 1930 *Cr.*

		Rs. a. p.			Rs. a. p.
Mar. 5	To Cash	300 0 0	Jan. 1	By balance b/d.	100 0 0
June 5	,, do.	300 0 0	Dec 31	,, P. & L. account	1800 0 0
Sep. 5	,, do.	300 0 0			
Dec. 5	,, Caution Money account	300 0 0			
,, 31	,, Rent Premium account	600 0 0			
,, ,,	,, balance c/d. (1 month rent due)	100 0 0			
		1900 0 0			1900 0 0

1931

		Rs. a. p.			Rs. a. p.
Mar. 1	To Caution money account	200 0 0	Jan. 1	By balance b/d.	100 0 0
	,, Cash	100 0 0			
	,, Rent Premium account	100 0 0			

The sum of Rs. 37-8-0 paid as estimated cost of repairs should be debited to Trade Charges account and Cash credited. The firm ought to have provided for a contingency of this kind during the last two years, when an approximate amount for an anticipated loss under this head would have been debited in the P. &. L. accounts of 1929 & 1930. In the absence of such a provision, Rs. 37-8-0 will be debited to Trade Charges and thus go to the debit of P. & L. account for 1931.

CAUTION MONEY ACCOUNT.

Dr. 1929 *Cr.*

		Rs. a. p.			Rs. a. p.
Mar. 1	To Cash	500 0 0	Dec. 31	By Balance c/d.	500 0 0
		500 0 0			500 0 0

1930

		Rs. a. p.			Rs. a. p.
Jan. 1	To Balance b/d	500 0 0	Dec. 5	By Rent account*	300 0 0
			,, 31	,, Balance c/d.	200 0 0
		500 0 0			500 0 0

1931

		Rs. a. p.			Rs. a. p.
Jan. 1	To Balance b/d.	200 0 0	Mar. 1	By Rent account	200 0 0
		200 0 0			200 0 0

* It is assumed Goodwin & Sons inform Branson & Co. on 5th December 1930 that Rs. 300 due on that day may be adjusted from the caution money.

BALANCE SHEET
on 31st Dec. 1929.

Dr. LIABILITIES.	Rs. a. p.	Cr. ASSETS,	Rs. a. p.
Rent account (accrued but not payable)	100 0 0	Caution Money	500 0 0
		Rent Premium Account (unexpired)	700 0 0

Balance Sheet on 31st Dec. 1930.

	Rs. a. p.	ASSETS.	Rs. a. p.
Rent Account (accrued but not payable)	100 0 0	Caution Money	200 0 0
		Rent Premium Account (unexpired)	100 0 0

Qn. 6. The procedure adopted by the firm is thoroughly incorrect. As the property is purchased with a view to keeping it for ever in the business and to derive benefit from its existence, no market fluctuations need be taken into account. Therefore the correct method of showing the Machinery Account in the Ledger is as follows:-

MACHINERY ACCOUNT.

Dr.		Rs. a. p.		Cr.	Rs. a. p.
1928					
Jan. 1	To Cash (C. P.)	3,000 0 0	Dec. 31	By Depreciation at 5%	154 8 0
	„ do. Duty	30 0 0	„	„ Balance c/d.	2935 8 0
	„ do. Railway Freight	60 0 0			
		3090 0 0			3090 0 0
1929					
Jan. 1	To balance b/d.	2935 8 0	Dec. 31	By Depreciation	154 8 0
				„ Balance c/d.	2781 0 0
		2935 8 0			2935 8 0
1930					
Jan. 1	To Balance b/d.	2781 0 0	Dec. 31	By Depreciation	154 8 0
			„	„ Balance c/d.	2626 8 0
		2781 0 0			2781 0 0

As they would have reduced the book value of the machinery from Rs. 2500 to Rs. 2125 by debiting the Depreciation account for a further sum of Rs. 375/- on 31st Dec. 1930, to raise the value of the Machinery account to Rs. 2626-8-0, its correct figure, the following entry should be made:

Machinery Account	Dr. 501-8-0	To Depreciation Account	501-8-0

Note. Though in this case the depreciation account is credited with Rs. 76-8-0 more on account of the sum of Rs. 90 paid for duty and carriage now being capitalised, less 15% for 3 years' depreciation, the credit in the P. & L. Account of this year, on account of the above, forms an effective compensating entry needed for having wrongly debited the P. & L. Account of 1928 with Rs. 90 by treating it as a revenue expenditure.

Qn. 7.

CONSIGNOR'S BOOKS.

Consignment to Maung Ban Tun, Rangoon Account.

Date		Particulars	Rs.	a.	p.	Date		Particulars	Rs.	a.	p.
1930 Feb.	1	To Coffee Seeds (200 bags weighing 300 cwts. net at Rs. 90-4-0 a cwt.)	27,075	0	0	1930 Mar.	22	By Maung Ba Tun, (Gross sale proceeds)	32,645	8	0
,,	1	,, Cash:—									
		Cartage etc.	135	0	0						
		Freight	277	8	0						
		Insurance on Rs. 28861-14-0 at 1 %	288	9	11						
Mar.	22	,, Maung Ba Tun: Expenses as per A/S.	754	1	3						
,,	22	,, P. & L. Account (Profit)	4,115	4	10						
			32,645	8	0				32,645	8	0

MAUNG BA TUN of Rangoon.

Dr. *Cr.*

Date		Particulars	Rs.	a.	p.	Date		Particulars	Rs.	a.	p.
1930 Mar.	22	To Consignment Account (Gross Proceeds)	32,645	8	...	1930 Feb.	1	By Bill Receivable	10,000	...	...
						Mar.	22	,, Consignment Account (Expenses)	754	1	3
						,,	,,	,, Cash (Demand Draft)	21,891	6	9
			32,645	8	...				32,645	8	...

Bill Receivable Account.

Date		Particulars	Rs.	a.	p.	Date		Particulars	Rs.	a.	p.
1930 Feb.	1	To Maung Ba Tun	10,000	...	...	1930 Feb	1	By Imperial Bank	10,000	...	...
			10,000	...	...				10,000	...	...

Qn. 8.

Of the total Book Debts of Rs. 6674-12-9, Rs. 374-12-9 being bad should be completely written off. Rs. 615-0-0 should be provided for anticipated bad debts; but nearest to the round figure in tens=Rs. 620/-. So the Bad Debts Account in W. Kelley's Ledger will be as follows :—

BAD DEBTS ACCOUNT.

Dr. *Cr.*

Date		Particulars	Rs.	a.	p.	Date		Particulars	Rs.	a.	p.
1928 Dec.	31	To T. Hardy Rs. 274 10 0 ,, W. Jones 88 0 0 ,, B. Bappu 12 2 9 (Bad debts written off)	374	12	9	1928 Jan.	1	By Balance b/d.	340	...	...
						Dec.	30	,, Cash (Bad debt recovered from A. Smith)	67	8	...
,,	,,	,, Balance c/d. (Amount of Reserve required for next year)	620	...	...	,,	31	,, P. & L. Account	587	4	9
			994	12	9				994	12	9
						1929 Jan.	1	By Balance b/d.	620	...	...

It should be noted that the Bad Debts Account is in this case maintained as a Composite Account, serving the purpose of both the Bad Debts and the Reserve for Bad and Doubtful Debts Accounts in one and the same account.

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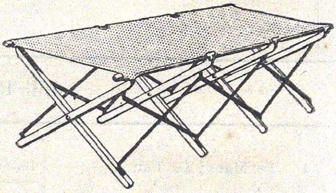

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(continued from page 52)

The production of commercial crops for export has stood in the way of the production of food grains, which has not certainly kept pace with the increase in population. Our imports have certainly not been for our benefit. Having 30 lakhs of acres under sugar which is nearly half the world's acreage we are still importing a large quantity of sugar from foreign countries. In fact while during the period between 1895—99 the output of Indian sugar amounted to 50 per cent of the world's production, in 1919—20 it came down to 20 per cent. It is needless to observe that it is nothing short of a tragedy to have such a large area under sugarcane and yet import sugar from foreign countries. It is well known that "in actual sugar India's production per acre is less than one third that of Cuba, one-sixth that of Java, and one-seventh that of Hawaii." This large quantity of imports has affected her sugar trade very seriously. So again is the case in regard to the imports of the cotton and woollen manufacture. So while the net advantage of foreign trade to India is doubtful there is no doubt about the fact that other countries have been profited immensely. "For example, the existence and prosperity of the Dundee Jute manufacturing industry depend solely on the imports of the Indian raw material. The exports of tea and wheat from India satisfy the elementary needs of Englishmen; those of hides and skins have added to the prosperity of the leather manufacturing industry in the United Kingdom, the U. S. A. and Germany; those of seeds have helped the growth of the oil-mill industry in France and elsewhere; those of raw cotton have led to the progress of the cotton industry in Japan and so on".

The prosperity of Lancashire cotton industry depends greatly on her trade with India while Java's position in the sugar trade is due to the large demand from India.

This apart, even a country well-situated in the matter of exports and imports may lose or get nothing out of her foreign trade on account of the fact that a large share of the gain may be taken away by the outsiders. The extension of tea and coffee cultivation add profits to the British capitalists who are the owners of the majority of the plantations. So it is in the case of the jute industry a part of which is in the hands of the Britishers. Again we may cite the case of the exchange banks; shipping companies.

commercial houses, insurance companies, all belonging to foreigners. Here again we see that a large amount of apparent gain is no gain to India. Thus, a careful examination of the trade statistics in India shows that the so-called favourable balance of trade is merely a myth. Thanks to the efforts of some of her leaders, India is promising to become an Industrial country. This may result, at least, in the beginning in a considerable fall in the foreign trade as she will herself begin to produce many things which she is now importing. This is an illustration of the uncertain connexion between Foreign Trade and Economic prosperity.

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